HSBC HOLDINGS PLC
Form 6-K
February 14, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of February, 2006

HSBC Holdings plc

42nd Floor, 8 Canada
Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F X Form 40-F ......

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes....... No X

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ....)

HSBC BANK CANADA
FOURTH QUARTER 2005 RESULTS^ - HIGHLIGHTS

- Net income attributable to common shares was C$457 million for the year ended 31 December 2005, an increase of 32.5 per cent over 2004.

- Net income attributable to common shares was C$132 million for the quarter ended 31 December 2005, an increase of 53.5 per cent over the same period in 2004.

- Return on average common equity was 21.3 per cent for the year ended 31 December 2005 and 23.8 per cent for the quarter ended 31 December 2005 compared with 18.3 per cent and 16.6 per cent, respectively, for the same periods in 2004.

- The cost:income ratio improved to 52.2 per cent for the year ended 31 December 2005 and 50.0 per cent for the quarter ended 31 December 2005 compared with 56.0 per cent and 55.6 per cent, respectively, for the same periods in 2004.

- Total assets were C$49.2 billion at 31 December 2005, an increase of C$5.9 billion, or 13.6 per cent, from C$43.3 billion at 31 December 2004.

- Total funds under management were C$20.5 billion at 31 December 2005, an increase of C$2.8 billion, or 15.8 per cent, from C$17.7 billion at 31 December 2004.

^ Results are prepared in accordance with Canadian generally accepted accounting principles.

Financial Commentary

Overview

HSBC Bank Canada recorded net income attributable to common shares of C$457 million for the year ended 31 December 2005, an increase of C$112 million, or 32.5 per cent, from C$345 million for 2004. Net income attributable to common shares for the quarter ended 31 December 2005 was C$132 million, an increase of C$46 million, or 53.5 per cent, compared with C$86 million for the same period in 2004.

Net income in the fourth quarter of 2005 benefited from a C$14 million reversal from the general allowance for credit losses and a C$14 million adjustment to other expenses, both before income taxes. Excluding these items and the related income tax adjustments, net income attributable to common shares would have been C$432 million for the year ended 31 December 2005, an increase of C$87 million, or 25.2 per cent, over 2004. For the fourth quarter of 2005, net income attributable to common shares would have been C$107 million, an increase of C$21 million, or 24.4 per cent, over the same period last year.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer, said: "Results for the fourth quarter and for the year were good and reflected the robust Canadian economy and the strength of our customers. Each of our customer groups contributed to a strong increase in revenues. Net interest income was higher from continued growth in our balance sheet. Non-interest revenues were higher on increased investment administration fees, credit fees, and foreign exchange revenue. Total non-interest expenses increased as our business grew, however, the rate of expense increase was less than the revenue growth, which resulted in a decrease in the non-interest expenses:total revenue ratio. Lastly, the stable credit environment in Canada throughout much of 2005 meant lower provisions for credit losses and resulted in a reversal in the fourth quarter from our general allowance for credit losses.

"Our focus for next year will be to continue to achieve strong growth in revenues and control of our costs, while continuing to reinvest in our businesses. We expect to fully leverage our marketing efforts to help generate even more awareness of the HSBC brand within Canada to deliver sustainable organic growth."

Net interest income

Net interest income for the year ended 31 December 2005 was C$1,010 million, an increase of C$114 million, or 12.7 per cent, from C$896 million for 2004. For the quarter ended 31 December 2005 net interest income was C$269 million, an increase of C$40 million, or 17.5 per cent, from C$229 million for the same quarter in 2004. Higher net interest income throughout 2005 has resulted from continued growth in the balance sheet across all our customer groups, and the impact of a full year from the acquisition of Intesa Bank Canada. Economic growth in Canada continues to be strong and sentiment remains positive despite the recent increases in interest rates in Canada during the fourth quarter of 2005. Average interest earning assets were C$42.6 billion for 2005 compared with C$35.9 billion for 2004. For the fourth quarter of 2005, average interest earning assets were C$45.2 billion compared with C$38.2 billion for the fourth quarter of 2004.

The net interest margin, as a percentage of average interest earning assets, was 2.37 per cent for the year ended 31 December 2005 and 2.36 per cent for the fourth quarter of 2005. For the same periods in 2004, the net interest margin was 2.49 per cent and 2.38 per cent, respectively. Net interest margins have been adversely impacted throughout 2005 by competitive pricing, which has been compounded by increased balances in lower-spread products such as residential mortgages. Net interest margins in our treasury and markets groups were adversely impacted by a flatter yield curve throughout much of 2005.

Non-interest revenue

Non-interest revenue was C$570 million for the year ended 31 December 2005, an increase of C$44 million, or 8.4 per cent, compared with C$526 million for 2004. For the quarter ended 31 December 2005, non-interest revenue was C$141 million compared with C$143 million in the fourth quarter of 2004.

Credit fees were higher in 2005 as a result of increased activity in commercial and corporate lending, particularly in shorter-term facilities such as bankers' acceptances, guarantees, and letters of credit. Capital market fees were lower in the fourth quarter of 2005 compared with the same period in 2004, as commissions from customers' retail trading were lower. Investment administration fees were higher in 2005 due to an increase in funds under management. The volatility of the Canadian dollar relative to the US dollar throughout 2005 helped increase revenues from foreign exchange activities compared with 2004. Gains from investment securities in the fourth quarter of 2005 were lower compared with the same quarter in 2004 as the previous year's quarter included a gain realised from our investment in a private equity fund managed by our merchant banking subsidiary. Other non-interest revenue was higher in 2005 due to strong fee income from our Canadian Immigrant Investment Program ('CIIP').

Resolution of certain income tax issues

Prior to 1 July 2005, an HSBC Group company ('Group') provided an unlimited guarantee of our customers' deposits. As consideration for provision of this guarantee, Group charged us a fee for the guarantee based on the guaranteed deposit amounts. For income tax purposes, we deducted this fee in determining our taxable income. Following agreement with the Canada Deposit Insurance Corporation, and reflecting our significant growth since we became part of the HSBC Group, this guarantee was discontinued for customer deposits received after 30 June 2005.

In the fourth quarter of 2005, the Canadian Competent Authority of the Canada Revenue Agency ('CRA') and the UK Competent Authority of the HM Revenue & Customs in the UK agreed, in principle, to a Bilateral Advance Pricing Agreement ('BAPA'). The BAPA outlines the agreed upon rates to be used in determining the amount we can deduct as an expense for the Group guarantee, and Group includes as income, for income tax purposes for the years 2002 to 2007 inclusive. The rates in the BAPA are lower than the rate we had been using to calculate the guarantee fee expense.

In the fourth quarter of 2005, Group reimbursed us C$40 million relating to 2002 to 2004, representing the non-deductible amounts as determined in the BAPA. We also recorded a C$4 million receivable for excess withholding tax paid to CRA relating to this reimbursement. As this was a related party transaction, we recorded an offsetting C$44 million increase in retained earnings, reflecting the gross amount of the reimbursement.

Non-interest expenses

Non-interest expenses were C$824 million for the year ended 31 December 2005, an increase of C$28 million, or 3.5 per cent, compared with C$796 million for 2004. For the quarter ended 31 December 2005, non-interest expenses were C$205 million compared with C$207 million in the fourth quarter of 2004.

Salaries and benefits expenses in 2005 were C$442 million compared with C$423 million in 2004. For the fourth quarter of 2005, salaries and benefits expenses were C$111 million compared with C$107 million for the same period in 2004. Salaries expenses were higher in 2005 due to a full year of costs from former Intesa Bank Canada employees, and higher stock-based compensation, employee termination and performance based incentive costs. These were partially offset by lower defined benefit pension and other non-pension benefit costs. In the fourth quarter of 2005, salaries and benefits expenses were higher compared to the same period in 2004 due to higher salary costs on a larger employee base, and higher stock-based compensation and employee termination costs. These were partially offset by lower defined benefit pension and other non-pension benefit costs.

Premises and equipment expenses in 2005 were C$107 million compared with C$101 million in 2004. For the fourth quarter of 2005, premises and equipment expenses were C$27 million compared with C$22 million for the same period in 2004. Equipment expenses were higher in 2005 primarily from increased costs associated with maintaining our computer infrastructure, as well as increased ATM costs associated with our agreement with Bank of Montreal.

Other non-interest expenses in 2005 were C$275 million compared with C$272 million in 2004. For the fourth quarter of 2005, other non-interest expenses were C$67 million compared with C$78 million for the same period in 2004. The agreement with CRA referred to above resulted in a C$14 million year-to-date reduction of the guarantee fee expense, which was recorded in the fourth quarter of 2005. Before the reduction, the guarantee fee expense for 2005 was lower compared with 2004 as a result of a decrease in deposits guaranteed due to the discontinuation of Group's guarantee effective close of business on 30 June 2005. Marketing expenses were significantly higher in the fourth quarter of 2005 as a result of increased media spends to increase awareness of the HSBC brand in Canada. Transaction costs in 2005 were higher as a result of increased volumes in our brokerage operations and activity in our CIIP. These increases were partially offset by a net credit on successful resolution of certain commodity tax issues relating to prior years.

Provision for income taxes

The effective income tax rate for the fourth quarter of 2005 was 30.0 per cent and for the year was 33.5 per cent compared with 36.7 per cent and 37.6 per cent, respectively, for the same periods in 2004. The effective rate was lower in 2005 primarily from the resolution of the deductibility of the guarantee fee expense, as discussed above, which resulted in a net reduction of C$7 million in income tax expense for the fourth quarter of 2005.

Credit quality and provision for credit losses

The provision for credit losses was C$27 million for the year ended 31 December 2005 compared with C$66 million for 2004. For the quarter ended 31 December 2005 the provision for credit losses was C$6 million compared with C$22 million for the same period in 2004. The continued strong economic conditions in Canada throughout 2005 resulted in favourable credit conditions leading to a lower provision for credit losses. During the fourth quarter of 2005 we reversed C$14 million of our general allowance for credit losses, primarily reflecting the consistently low loss experience in Western Canada over the past few years, and the current strength of the economy.

Gross impaired loans decreased to C$130 million at 31 December 2005 compared with C$182 million at 31 December 2004. Total impaired loans, net of specific allowances for credit losses, were C$73 million at 31 December 2005 compared with C$112 million at 31 December 2004. The general allowance for credit losses was C$269 million at 31 December 2005 compared with C$279 million at 31 December 2004. The total allowance for credit losses, as a percentage of loans outstanding was 1.01 per cent at 31 December 2005 compared with 1.22 per cent at 31 December 2004.

Balance sheet

Total assets at 31 December 2005 were C$49.2 billion, an increase of C$5.9 billion from C$43.3 billion at 31 December 2004. Stable interest rates throughout 2005, strong economic conditions, and an active housing market in Canada helped spur loan growth across all customer groups. Commercial loans and bankers' acceptances increased C$2.4 billion in total to C$19.6 billion at 31 December 2005 compared with C$17.2 billion at the same time in 2004. Residential mortgages and consumer loans increased C$1.4 billion to C$16.6 billion in total at 31 December 2005 compared with C$15.2 billion at 31 December 2004. Cash resources increased in 2005 by C$1.6 billion, primarily in deposits with other banks. Securities and assets purchased under reverse repurchase agreements were C$0.8 billion higher at 31 December 2005 compared with the same time in 2004, primarily from increased trading activity.

Total deposits at 31 December 2005 were C$38.6 billion, an increase of C$4.8 billion from C$33.8 billion at 31 December 2004. Deposits from individuals increased to C$15.3 billion at 31 December 2005 compared with C$14.8 billion at the same time last year. Commercial deposits increased C$2.9 billion to C$21.3 billion at 31 December 2005 and deposits from other banks increased to C$2.0 billion at 31 December 2005 from C$0.6 billion at 31 December 2004 to fund the strong asset growth experienced in 2005.

Total assets under administration

Funds under management were C$20.5 billion at 31 December 2005 compared with C$17.7 billion at 31 December 2004. Including custody and administration balances, total assets under administration were C$28.0 billion at 31 December 2005 compared with C$22.8 billion at 31 December 2004.

Growth in funds under management during 2005 resulted from continued investment in our brokerage operations during the year and from success in our Private Client products. Additionally, Canadian equity markets, which were aided by higher natural resource prices, performed substantially better in 2005 relative to the US markets.

Capital ratios

The tier 1 capital ratio was 9.0 per cent and the total capital ratio was 11.2 per cent at 31 December 2005. This compares with 8.6 per cent and 11.0 per cent, respectively, at 31 December 2004.

In the fourth quarter of 2005, we issued C$175 million in Class 1 Preferred Shares Series D. Total capital issues in 2005 amounted to C$350 million in preferred shares and C$200 million in asset trust securities. During 2005, C$125 million in previously issued preferred shares were redeemed.

Dividends

During the fourth quarter of 2005, we declared C$135 million in dividends on our common shares of which C$60 million was payable at 31 December 2005. Dividends declared on our common shares totalled C$330 million in 2005.

Regular dividends of 31.875 cents per share have been declared on our Class 1 Preferred Shares - Series C and 31.25 cents per share on our Class 1 Preferred Shares - Series D. The dividends will be payable in cash on 31 March 2006, for shareholders of record on 15 March 2006. Dividends declared on our preferred shares totalled C$13 million in 2005.

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 170 offices. With over 9,700 offices in 77 countries and territories and assets of US$1,467 billion at 30 June 2005, the HSBC Group is one of the world's largest banking and financial services organisations. For more information about HSBC Bank Canada and our products and services, visit our website at hsbc.ca.

Copies of our 2005 Annual Report will be sent to shareholders in March 2006.

This document may contain forward-looking statements, including statements regarding the business and anticipated financial performance of HSBC Bank Canada. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where HSBC Bank Canada operates.

Summary

Figures in C$ millions	Quarter ended			Year ended	
(except per share amounts)	31DEC05	30SEP05	31DEC04	31DEC05	31DEC04
Earnings					
Net income attributable to common shares	132	113	86	457	345
Basic earnings per share ^	0.27	0.23	0.18	0.94	0.72
Performance ratios (per cent)					
Return on average common equity	23.8	20.9	16.6	21.3	18.3
Return on average assets	1.06	0.92	0.80	0.97	0.85
Net interest margin ^^	2.36	2.36	2.38	2.37	2.49
Non-interest expenses:total revenue ratio	50.0	51.2	55.6	52.2	56.0
Non-interest revenue:total revenue ratio	34.4	35.7	38.4	36.1	37.0
Credit information					
Impaired loans	130	132	182		
Allowance for credit losses					
- Balance at end of period	326	337	349		
- As a percentage of impaired loans	251	255	192		
- As a percentage of loans					

outstanding	1.01	1.04	1.22		
Average balances					
Assets	49,605	48,754	43,008	47,282	40,421
Loans	32,387	31,535	28,235	30,678	26,922
Deposits	39,006	38,572	32,640	37,340	30,823
Common equity	2,204	2,157	2,070	2,150	1,886
Capital ratios (per cent)					
Tier 1	9.0	8.7	8.6		
Total capital	11.2	10.9	11.0		
Total assets under administration					
Funds under management	20,453	19,872	17,687		
Custodial accounts	7,594	6,585	5,077		
Total assets under administration	28,047	26,457	22,764		

^ Basic earnings per share are not materially different from basic earnings per share from continuing operations.

^ ^ Net interest income as a percentage of average interest earning assets for the period.

Consolidated Statement of Income (Unaudited)

Figures in C$ millions	Quarter ended			Year ended	
(except per share amounts)	31DEC05	30SEP05	31DEC04 ^	31DEC05	31DEC04 ^
Interest and dividend income Loans	444	417	366	1,631	1,396
Securities	40	31	22	120	82
Deposits with regulated financial institutions	52	45	26	166	69
	536	493	414	1,917	1,547
Interest expense					
Deposits	261	226	177	882	617
Debentures	6	6	8	25	34
	267	232	185	907	651
Net interest income	269	261	229	1,010	896
Non-interest revenue					
Deposit and payment service charges	22	20	20	84	81
Credit fees	26	23	21	95	81
Capital market fees	25	25	30	106	106
Investment administration fees	22	24	17	80	65
Foreign exchange	21	19	18	76	68
Trade finance	6	7	6	27	28
Trading revenue	1	4	3	11	10
Investment securities gains	2	3	11	16	17
Securitisation income	6	5	4	24	25
Other	10	15	13	51	45

	141	145	143	570	526
Total revenue	410	406	372	1,580	1,422
Provision for credit losses	6	7	22	27	66
Non-interest expenses					
Salaries and employee benefits	111	112	107	442	423
Premises and equipment	27	26	22	107	101
Other	67	70	78	275	272
	205	208	207	824	796
Income before the undernoted	199	191	143	729	560
Effect of accounting change	-	-	-	-	14
Income before provision and non-controlling interest in income of trust	199	191	143	729	574
Provision for income taxes	58	67	51	237	210
Non-controlling interest in income of trust	6	7	4	22	16
Income from continuing operations	135	117	88	470	348
Income from discontinued operations	-	-	-	-	5
Net income	135	117	88	470	353
Preferred share dividends	3	4	2	13	8
Net income attributable to common shares	132	113	86	457	345
Average common shares outstanding (000)	488,668	488,668	488,668	488,668	481,066
Basic earnings per share (C$)	0.27	0.23	0.18	0.94	0.72

^ Certain prior period amounts have been reclassified to conform with the current year presentation.

^ ^Reflects the sale of HSBC Canadian Direct Insurance Incorporated effective 30 April 2004.

Condensed Consolidated Balance Sheet (Unaudited)

Figures in C$ millions	At 31DEC05	At 31DEC04
Assets		
Cash and deposits with Bank of Canada	409	328
Deposits with regulated	5,549	4,094
financial institutions	5,958	4,422

Investment securities	2,923	1,967
Trading securities	1,418	1,055
	4,341	3,022
Assets purchased under reverse repurchase agreements	1,752	2,264
Loans		
- Businesses and government	15,571	13,450
- Residential mortgage	12,865	11,966
- Consumer	3,734	3,252
- Allowance for credit losses	(326)	(349)
	31,844	28,319
Customers' liability under acceptances	4,002	3,754
Land, buildings and equipment	103	101
Other assets	1,210	1,381
	5,315	5,236
Total assets	49,210	43,263
Liabilities and shareholders' equity		
Deposits		
- Regulated financial institutions	1,975	635
- Individuals	15,300	14,818
- Businesses and governments	21,333	18,395
	38,608	33,848
Acceptances	4,002	3,754
Assets sold under repurchase agreements	302	23
Other liabilities	2,849	2,785
Non-controlling interest in	430	230
trust and subsidary	7,583	6,792
Subordinated debentures	423	426
Shareholders' equity		
- Preferred shares	350	125
- Common shares	1,125	1,125
- Contributed surplus	187	177
- Retained earnings	934	770
	2,596	2,197
Total liabilities and shareholders' equity	49,210	43,263

Condensed Consolidated Statement of Cash Flows (Unaudited)

	Quarter ended			Year ended	
Figures in C$ millions	31DEC05	30SEP05	31DEC04	31DEC05	31DEC04
Cash flows provided by/ (used in):					
- Operating activities	(100)	412	60	424	416
- Financing activities	141	1,174	669	5,131	3,492

- Investing activities	335	(1,483)	(578)	(4,362)	(3,350)
Increase in cash and cash equivalents	376	103	151	1,193	558
Cash and cash equivalents, beginning of period	4,824	4,721	3,856	4,007	3,449
Cash and cash equivalents, end of period	5,200	4,824	4,007	5,200	4,007
Represented by:					
- Cash resources per balance sheet	5,958	5,531	4,422		
- less non-operating deposits ^	(758)	(707)	(415)		
- Cash and cash equivalents, end of period	5,200	4,824	4,007		

^ Non-operating deposits are comprised primarily of cash which reprices after 90 days and cash restricted for recourse on securitisation transactions.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:
Name: P A Stafford
Title: Assistant Group Secretary
Date: 14 February 2006